Supreme Court, U.S.
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No. 96-176

IN THE
Supreme Court of the United States
OCTOBER TERM, 1996

MARY M. PRESSLEY,
Personal Representative for the Estate
of Alvin J. Pressley, Deceased,

Petitioner,

v.

METROPOLITAN LIFE INSURANCE COMPANY
AND BARBARA J. PRESSLEY,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

Brief of the American Council of Life Insurance as Amicus Curiae in Support of the Petition

Of Counsel
PHILLIP E. STANO
AMERICAN COUNCIL OF
LIFE INSURANCE
1001 Pennsylvania Avenue, N.W
Washington, D.C. 20004
(202) 624-2183

PATRICIA A. DUNN
STEVEN J. MINTZ
(Counsel of Record)
JONES, DAY, REAVIS &
POGUE
1450 G Street, N.W.
Washington, D.C. 20005
(202) 879-3939

Counsel for *Amicus Curiae*

16 pp

QUESTION PRESENTED

Whether, as two federal circuits have held, the language of the Employee Retirement Income Security Act of 1974 ("ERISA") determines the proper beneficiary of ERISA-regulated welfare benefits, such as life insurance benefits, regardless of any conflict with state domestic relations law, or whether the beneficiary should be determined, as five circuits have suggested, by reference to federal common law, which might give state domestic relations orders precedence over the designated ERISA-plan beneficiary.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

TABLE OF AUTHORITIES iv

INTEREST OF THE AMICUS CURIAE 1

STATEMENT OF THE CASE 1

SUMMARY OF ARGUMENT 2

REASONS FOR GRANTING THE PETITION 3

I. THE FEDERAL CIRCUIT COURTS ARE FUNDAMENTALLY DIVIDED ON WHETHER ERISA ITSELF OR FEDERAL COMMON LAW DETERMINES THE BENEFICIARY OF ERISA-REGULATED WELFARE BENEFITS WHEN A BENEFICIARY DESIGNATION CONFLICTS WITH STATE DOMESTIC RELATIONS LAW 3

II. THE CURRENT CONFUSION IN THE LAW UNDERMINES THE PURPOSES OF ERISA, HAMPERS ERISA PLAN ADMINISTRATION, AND RESULTS IN NEEDLESS LITIGATION . . . 8

CONCLUSION 11

TABLE OF AUTHORITIES

Page

Cases

Brandon v. Travelers Insurance. Co., 18 F.3d 1321 (5th Cir. 1994), *cert. denied*, 115 S. Ct. 732 (1995) 5, 6, 7
Equitable Life Assurance Society of the United States v. Crysler, 66 F.3d 944 (8th Cir. 1995) 6, 7, 10
Estate of Altobelli v. IBM Corp., 77 F.3d 78 (4th Cir. 1996) 6, 7
Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101 (1989) 3
Fort Halifax Packing Co. v. Coyne, 482 U.S. 1 (1987) 9
Fox Valley & Vicinity Construction Workers Pension Fund v. Brown, 897 F.2d 275 (7th Cir.) (*en banc*), *cert. denied*, 498 U.S. 820 (1990) 5, 7
Ingersoll-Rand Co. v. McClendon, 498 U.S. 133 (1990) 8, 9, 10
Krishna v. Colgate Palmolive Co., 7 F.3d 11 (2d Cir. 1993) 4, 5, 9
Lyman Lumber Co v. Hill, 877 F.2d 692 (8th Cir. 1989) 6, 7
McMillan v. Parrott, 913 F.2d 310 (6th Cir. 1990) 4, 9, 10
Metropolitan Life Insurance Co. v. Hanslip, 939 F.2d 904 (10th Cir. 1991) 6, 10
Metropolitan Life Insurance Co. v. Pressley, 82 F.3d 126 (6th Cir. 1996) 3, 4
Metropolitan Life Insurance Co. v. Wheaton, 42 F.3d 1080 (7th Cir. 1994) 10
Mohamed v. Kerr, 53 F.3d 911 (8th Cir.), *cert. denied*, 116 S. Ct. 185 (1995) 6, 10
National Automobile Dealers and Associates Retirement Trust v. Arbeitman, 89 F.3d 496 (8th Cir. 1996) 6

Pilot Life Insurance Co. v. Dedeaux, 481 U.S. 41 (1987) 3, 8
Shaw v. Delta Air Lines, Inc., 463 U.S. 85 (1983) 9
Textile Workers Union of America v. Lincoln Mills of Alabama, 353 U.S. 448 (1957) 3

Statutes

29 U.S.C. § 1002 (1994) 1
29 U.S.C. § 1056 (1994) 2
29 U.S.C. § 1104(a) (1994) 4
29 U.S.C. § 1144(a) (1994) 3, 8

Legislative Materials

H. Rep. No. 533, 93d Cong., 2d Sess., *reprinted in* 1974 U.S.C.C.A.N. 4639 8

INTEREST OF THE AMICUS CURIAE[1]

The American Council of Life Insurance ("ACLI") is the largest life insurance trade association in the United States, representing the interests of 580 member life insurance companies, including respondent Metropolitan Life Insurance Company. These companies currently underwrite roughly 90.9 percent of the life insurance in force in legal reserve life insurance companies in the United States.

ACLI member companies frequently serve as ERISA benefit plan administrators or fiduciaries. ACLI members therefore have a vital interest in legal questions affecting the interpretation of ERISA, in promoting uniform and consistent rules of ERISA plan administration, and in avoiding needless litigation over ERISA plan issues.

STATEMENT OF THE CASE

Alvin Pressley, deceased, was an employee of General Motors Corporation in Michigan. During his employment, he participated in a company life insurance plan in which the insurance was provided by respondent Metropolitan Life Insurance Company ("Met Life"). The plan is an "employee welfare benefit plan" as defined by the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1002(1) (1994).[2]

On March 5, 1979, Alvin Pressley designated his wife, respondent Barbara Pressley, as beneficiary on his life insurance plan. On September 7, 1984, however, Alvin Pressley and Barbara Pressley divorced. The divorce decree entered by the Michigan state court provided, in pertinent part, that Alvin Pressley and Barbara Pressley thereafter would own any

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[1] The parties' letters of consent have been filed with the Clerk pursuant to Rule 37.2 of this Court.

[2] As defined in 29 U.S.C. § 1002(3), employee benefit plans are of two types: Welfare benefit plans provide health, legal, vacation, or other benefits, § 1002(1), and pension benefit plans provide retirement income, § 1002(2).

"insurance policies" "free and clear of any claim thereto by the other," and further provided that "any rights of either party in any policy or contract of life, endowment or annuity insurance of the other, as beneficiary, are hereby extinguished unless specifically preserved by this judgment." Pet. App. 5a-6a.[3]

Alvin Pressley died on June 10, 1993, without having changed his designated beneficiary on his insurance plan. Barbara Pressley then filed a claim with Met Life for the insurance benefits, and Alvin Pressley's mother, petitioner Mary Pressley, also filed a claim for the same benefits with Met Life as Personal Representative of Alvin Pressley's estate. On March 30, 1994, Met Life filed a complaint in interpleader in federal district court and deposited the life insurance benefits with the court. The district court granted summary judgment in favor of Barbara Pressley on the ground that ERISA preempts Michigan domestic relations law, Pet. App. 14a-18a, and the Sixth Circuit affirmed. Pet App. 3a-12a.

SUMMARY OF ARGUMENT

This case raises the extent to which ERISA preempts state domestic relations law. The petition should be granted for two reasons. First, seven of the federal circuits are starkly and fundamentally divided over whether ERISA itself or federal common law, which in turn might incorporate state law, determines the proper beneficiary of ERISA-regulated employee welfare benefits, such as life insurance benefits, when the employee's designation of a beneficiary conflicts with state domestic relations law. If ERISA itself provides the rule of decision, state law has no role and the employee's designated beneficiary will receive the benefits; federal common law,

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[3] The Sixth Circuit accepted as an undisputed fact that the divorce decree was not a qualified domestic relations order (a "QDRO") of the type that is expressly exempt from ERISA preemption. Pet. App. 6a; 29 U.S.C. § 1056(d)(3) (1994). For example, the decree apparently did not specifically identify Alvin Pressley's insurance plan or name an "alternate payee." 29 U.S.C. § 1056(d)(3)(B), (C).

however, would in some cases give precedence to state domestic relations orders over the designated beneficiary. Second, the confusion in the law that results from this circuit split undermines the purposes of an important federal statute, hampers ERISA plan administration, and foments needless litigation.

REASONS FOR GRANTING THE PETITION

I. THE FEDERAL CIRCUIT COURTS ARE FUNDAMENTALLY DIVIDED ON WHETHER ERISA ITSELF OR FEDERAL COMMON LAW DETERMINES THE BENEFICIARY OF ERISA-REGULATED WELFARE BENEFITS WHEN A BENEFICIARY DESIGNATION CONFLICTS WITH STATE DOMESTIC RELATIONS LAW

Section 514(a) of ERISA provides that federal law shall supersede all state laws that relate to an ERISA plan. *See* 29 U.S.C. § 1144(a) (1994). Federal courts almost uniformly hold that a designation of beneficiaries is related to an ERISA plan, thus preempting state law. *See Metropolitan Life Insurance Co. v. Pressley*, 82 F.3d 126, 129 (6th Cir. 1996) (citing cases).

But the federal circuit courts are starkly divided on the question that logically follows the general determination of preemption and is crucial to the parties claiming benefits under an ERISA-regulated plan: When an employee's designation of a beneficiary conflicts with a state domestic relations order, does ERISA itself determine who is the proper beneficiary, or must the beneficiary be determined by reference to the federal common law interpreting ERISA? *See Firestone Tire & Rubber Co. v. Bruch*, 489 U.S. 101, 110 (1989) ("we have held that courts are to develop a 'federal common law of rights and obligations under ERISA-regulated plans'") (quoting *Pilot Life Insurance Co. v. Dedeaux*, 481 U.S. 41, 56 (1987)). Federal common law, in turn, may incorporate or be guided by state law. *See Textile Workers Union of America v. Lincoln Mills of Alabama*, 353 U.S. 448, 457 (1957).

Seven of the federal circuits have faced this question within the past seven years, and the result is a fundamental split. The Second and Sixth Circuits hold that ERISA itself determines the proper beneficiary by reference to the ERISA plan documents, so that a divorce settlement has no effect on the decedent's designated beneficiary. The Fourth, Fifth, Seventh, Eighth, and Tenth Circuits hold or suggest that ERISA is silent with respect to determining the proper beneficiary, so that courts must look to federal common law for the controlling rules. In some cases, federal common law would permit a divorce settlement to operate as a waiver of an ex-spouse's interest in the decedent's insurance plan.

In the instant case, the Sixth Circuit acknowledged that "the courts of appeals are split regarding the manner in which a beneficiary is then determined," *Metropolitan Life*, 82 F.3d at 129, but then held squarely that "ERISA itself supplies the rule of law." *Id.* at 130. Because ERISA requires a plan administrator to act "in accordance with the documents and instruments governing the plan," 29 U.S.C. § 1104(a)(1)(D) (1994), the plan documents always control. The court based its decision on the reasoning of *McMillan v. Parrott*, 913 F.2d 310 (6th Cir. 1990), where it held that "This clear statutory command [29 U.S.C. § 1104(a)(1)(D)], together with the plan provisions, answer the question; the documents control, and those name [the divorced spouse]." *Id.* at 311-312.

The Second Circuit similarly has held that the beneficiary designation in ERISA plan documents controls. In *Krishna v. Colgate Palmolive Co.*, 7 F.3d 11 (2d Cir. 1993), the court reversed a summary judgment on the ground that the district court should have applied the terms of an ERISA-regulated life insurance policy rather than New York law. The Second Circuit differed from the Sixth Circuit's reasoning by finding that "ERISA is indeed silent on the matter of which party shall be deemed beneficiary among disputing claimants," *id.* at 14 (internal quotation omitted), but it reached the same conclusion by holding that, in light of the interest in uniform administration of ERISA plans, "It would be counterproductive to compel the

Policy administrator to look beyond those [plan] designations into varying state laws regarding wills, trusts and estates, or domestic relations to determine the proper beneficiaries of Policy distributions." *Id.* at 16.

In contrast, five other circuits hold or suggest that the language of ERISA does not resolve who is the proper beneficiary, and these courts therefore look to federal common law for the rule of decision. This approach originated in *Fox Valley & Vicinity Construction Workers Pension Fund v. Brown*, 897 F.2d 275, 280 (7th Cir.) (*en banc*), *cert. denied*, 498 U.S. 820 (1990), where the Seventh Circuit reasoned that "ERISA is silent on the issue of what constitutes a proper waiver" of an interest in a pension plan, thus compelling the court to fashion a rule of federal common law. *Id.* at 280-81. The Seventh Circuit ruled that a divorced wife effectively waived any interest in her husband's pension plan in a state-court divorce decree and thus was not entitled to payment of his death benefits.

The Fifth Circuit applied the Seventh Circuit's approach to life insurance benefits in *Brandon v. Travelers Insurance Co.*, 18 F.3d 1321 (5th Cir. 1994), *cert. denied*, 115 S. Ct. 732 (1995). The Fifth Circuit recognized the division of authority, stating: "Courts . . . have split as to whether ERISA itself supplies the rule of law or whether judges must look to federal common law for the controlling principles." *Id.* at 1325. The Fifth Circuit rejected the Sixth Circuit's approach in *McMillan* and concluded that "the federal common law approach outlined by the court in *Fox Valley* [is] the most persuasive resolution of the issues of this case." *Id.* at 1326. In *Brandon*, the federal common law approach again resulted in a determination that a divorce decree constituted an effective waiver of the ex-spouse's interest in the decedent's life insurance.[4]

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[4] The Fifth Circuit differs from the other circuits that follow the federal common law approach, however, because the *Brandon* court selected that approach not because it found ERISA to be silent, but because "When courts face a potential conflict between state domestic relations

The Fourth Circuit also has noted the circuit split. *See Estate of Altobelli v. IBM Corp.*, 77 F.3d 78, 81 (4th Cir. 1996). The Fourth Circuit rejected the Sixth and Second Circuit approach and "join[ed] the Seventh Circuit in holding as a matter of federal common law that such a waiver [of ERISA plan insurance benefits] is to be given full effect." *Id.* at 82.

Likewise, in the Eighth Circuit "a settlement entered into pursuant to a judgment of dissolution may divest a former spouse of beneficiary rights to life insurance proceeds, even when the beneficiary designation has not been changed before the death of the insured." *Mohamed v. Kerr*, 53 F.3d 911, 914 (8th Cir.), *cert. denied*, 116 S. Ct. 185 (1995). The Eighth Circuit reasoned that it was "compelled to look to federal common law" for this rule. *Id.* at 913.[5]

The Tenth Circuit similarly has suggested that a divorce settlement can override an ERISA plan beneficiary designation. *See Metropolitan Life Insurance Co. v. Hanslip*, 939 F.2d 904, 907 (10th Cir. 1991) (stating that "absent any applicable divorce decree dictating otherwise," a former spouse who was the designated beneficiary was entitled to the decedent's life insurance proceeds).

The different approaches adopted by the various federal circuits are irreconcilable. Either ERISA is silent on the determination of the proper beneficiary, or it is not. ERISA either provides the rule for determining the proper beneficiary, or it does not. If

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law and federal law, the strong presumption is that state law should be given precedence[.]" 18 F.3d at 1326.

[5] *Accord, National Automobile Dealers and Associates Retirement Trust v. Arbeitman*, 89 F.3d 496, 500-01 (8th Cir. 1996); *Equitable Life Assurance Society of the United States v. Crysler*, 66 F.3d 944, 948 (8th Cir. 1995) ("29 U.S.C. § 1104(a)(1) . . . does not prescribe how to resolve conflicting claims that the plan administrator has interpleaded"); *Lyman Lumber Co. v. Hill*, 877 F.2d 692, 693 (8th Cir. 1989) ("None of ERISA's express provisions addresses the issue presented.").

ERISA does provide the rule of decision by reference to the plan documents, there can be no role for federal common law.

But plan documents versus federal common law is not the only division of authority among the federal circuits on the issue presented by this case. The circuits that follow the federal common law approach are themselves inconsistent in how they determine the proper federal common law rule.

To illustrate, the Seventh Circuit in *Fox Valley* reasoned that "ERISA is silent on the issue of what constitutes a proper waiver in this situation, and the existing body of federal common law interpreting ERISA gives little guidance on this point." 897 F.2d at 280. The Seventh Circuit then adopted state law through federal common law and followed the Illinois rule on the effect of a divorce decree on the rights of a divorced spouse. *See id.* at 281. In *Equitable Life Assurance Society of the United States v. Crysler*, 66 F.3d 944 (8th Cir. 1995), the Eighth Circuit similarly adopted a rule of following the relevant state law, holding "that the federal common law to be applied is (i) a choice-of-state-law issue, and then (ii) an application of the relevant state law." *Id.* at 949.

By comparison, a different panel of the Eighth Circuit fashioned its federal common law rule not by following the law of the relevant state, Minnesota, but by discerning the "general rule" across multiple states. *Lyman Lumber Co v. Hill*, 877 F.2d 692, 693 (8th Cir. 1989). The Fifth Circuit followed *Lyman Lumber Co.* "in utilizing a modified state law to breathe life into the federal common law." *Brandon*, 18 F.3d at 1326. And in yet another variation, the Fourth Circuit apparently does not consider state law at all, but simply follows the Seventh Circuit rule announced in *Fox Valley* as the federal common law rule. *See Estate of Altobelli*, 77 F.3d at 81-82.

The state of the law thus presents a classic scenario for review by this Court: multiple federal circuits in a state of fundamental conflict over the proper interpretation of an important federal statute. Only this Court can resolve whether ERISA speaks to or controls the determination of the proper beneficiary and what

role, if any, state law can have when a beneficiary designation conflicts with a state domestic relations order.

II. THE CURRENT CONFUSION IN THE LAW UNDERMINES THE PURPOSES OF ERISA, HAMPERS ERISA PLAN ADMINISTRATION, AND RESULTS IN NEEDLESS LITIGATION

By enacting ERISA, Congress intended to subject employer pension and welfare plans to a uniform body of federal law and to promote efficiency and simplicity in the administration of benefit plans.

These purposes appear most obviously in ERISA's preemption language, which provides that, with only a few exceptions, ERISA "shall supersede any and all State laws insofar as they may now or hereafter relate to any employee benefit plan[.]" 29 U.S.C. § 1144(a). This broad preemption provision is "deliberately expansive, and designed to establish pension plan regulation as exclusively a federal concern." *Pilot Life Ins. Co. v. Dedeaux*, 481 U.S. at 46 (internal quotation omitted). The legislative history of ERISA similarly makes clear that federal regulation was intended to "eliminate[] the threat of conflicting or inconsistent State and local regulation of employee benefit plans." *Id.* (quoting legislative history). *Accord, e.g., Ingersoll-Rand Co. v. McClendon*, 498 U.S. 133, 142 (1990) (preemption "was intended to ensure that plans and plan sponsors would be subject to a uniform body of benefits law; the goal was to minimize the administrative and financial burden of complying with conflicting directives among States or between States and the Federal Government").

ERISA's legislative history and the decisions of this Court and the federal circuit courts likewise show that Congress sought to promote efficiency and simplicity in benefit plan administration. "The uniformity of decision which [ERISA] is designed to foster will help administrators, fiduciaries and participants to predict the legality of proposed actions without the necessity of reference to varying state laws." H. Rep. No. 533, 93d Cong., 2d Sess. (1973), *reprinted in* 1974 U.S.C.C.A.N. 4639, 4650. *See also*,

e.g., *Shaw v. Delta Air Lines, Inc.*, 463 U.S. 85, 105 n.25 (1983) (ERISA "was meant to minimize this sort of interference with the administration of employee benefit plans"); *McMillan*, 913 F.2d at 312 (Congress' intent was "that ERISA plans be uniform in their interpretation and simple in their application"); *Krishna*, 7 F.3d at 16 ("There is a strong interest in uniform, uncomplicated administration of ERISA plans, many of which function in a number of states.").

The consequence of the current split in federal circuit court authority is a state of confusion in the law that undermines the purposes of ERISA. Most obviously, whether a former spouse will be the proper beneficiary may vary with state domestic relations law, even where the employer conduct is the same in every state. "Such an outcome is fundamentally at odds with the goal of uniformity that Congress sought to implement." *Ingersoll-Rand*, 498 U.S. at 142.

In addition, in cases where an employee divorces and then dies without having changed his or her beneficiary designation, the plan administrator must now examine both federal circuit court law and, at least in several circuits, state domestic relations law in order to determine the proper beneficiary. But this process frustrates the statutory goals of efficiency in administration and certainty in expectations. As this Court has explained, the costs associated with these inefficiencies might well "lead those employers with existing plans to reduce benefits, and those without such plans to refrain from adopting them." *Fort Halifax Packing Co. v. Coyne*, 482 U.S. 1, 11 (1987).

The confusion in the law also works a particular hardship on ERISA plan administrators, including the life insurance company members of the ACLI. The benefit plans of large employers like General Motors Corporation typically are multistate or national in scope. ACLI member companies must thus track and discern the law of virtually every state to determine the rule that might apply to a particular deceased employee. But employers or plan administrators should not have to "tailor[] plans and employer

conduct to the peculiarities of the law of each jurisdiction." *Ingersoll-Rand*, 498 U.S. at 142.

Finally, the uncertainty in the law compels rival claimants to ERISA plan benefits, in case after case, to sue the plan administrator or, as in this case, force the administrator to file an interpleader or declaratory judgment action to determine the proper beneficiary.[6] Plan administrators must thus waste resources on legal costs, and plan assets repeatedly are mired in needless litigation. A clear rule would "avoid[] expensive litigation as has occurred in the case before us." *McMillan*, 913 F.2d at 312 (footnote omitted).

Only this Court can resolve the confusion created by the federal circuits' conflicting interpretations of ERISA. Moreover, the issue presented by this case should be decided now: allowing it to fester further, after seven circuits have issued conflicting decisions, will only destroy any remaining uniformity of ERISA plan administration when domestic relations issues arise and foment additional needless litigation.

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[6] *See, e.g., Metropolitan Life Ins. Co. v. Wheaton*, 42 F.3d 1080 (7th Cir. 1994) (interpleader by insurance company); *Mohamed v. Kerr*, *supra* (same); *Equitable Life Assurance Co. v. Crysler*, *supra* (same); *McMillan v. Parrot*, *supra* (declaratory judgment); *Metropolitan Life Ins. Co. v. Hanslip*, *supra* (same).

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted,

Of Counsel
PHILLIP E. STANO
AMERICAN COUNCIL OF
LIFE INSURANCE
1001 Pennsylvania Ave., N.W.
Washington, D.C. 20004
(202) 624-2183

PATRICIA A. DUNN
STEVEN J. MINTZ
(Counsel of Record)
JONES, DAY, REAVIS &
POGUE
1450 G Street, N.W.
Washington, D.C. 20005
(202) 879-3939

Counsel for *Amicus Curiae*

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